



COURT FILE NUMBER 25-1890619 and 25-1890623

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

DOCUMENT TRUSTEE'S SECOND UPDATE REPORT TO THE
PREFERRED SHAREHOLDERS OF TRIMOR MORTGAGE
INVESTMENT CORPORATION

DATED MARCH 25, 2016

Trustee

**Deloitte Restructuring Inc.
700 Bankers Court, 850 – 2nd Street SW
Calgary, AB T2P 0R8
Attention: Jeff Keeble**

Telephone/Facsimile: 403-503-1458 / 403-718-3681

Email: jkeeble@deloitte.ca

Table of contents

Introduction.....	1
Background.....	1
Notice to Reader.....	2
Asset Realizations.....	3
Owned Properties.....	3
Mortgages Receivable.....	4
Creditor and Shareholder Claims and Distributions.....	7
Ongoing Litigation.....	9
Other Matters.....	10
Receipts and Disbursements and Funds on Hand.....	11
Next Steps.....	12

APPENDICES

Appendix 1	Statement of Receipts and Disbursements for Trimor Mortgage Investment Corporation for the period from July 15, 2014 to March 10, 2016
Appendix 2	Statement of Receipts and Disbursements for Trimor Equity Corporation for the period from July 15, 2014 to March 10, 2016

Introduction

Background

1. Trimor Mortgage Investment Corporation (“TMIC”) and Trimor Equity Corporation (“TEC”, collectively the “Companies”) were assigned into bankruptcy by the directors pursuant to the *Bankruptcy and Insolvency Act* on July 15, 2014 (the “Date of Bankruptcy”), and Deloitte Restructuring Inc. (“Deloitte”) was appointed as the Trustee (the “Trustee”) of the bankrupt estates (the “Estates”). At the TMIC first meeting of creditors (“FMOC”) held on August 7, 2014, there were five inspectors appointed which included Kevin Kelly, Cliff Swan, Don Friesen, Jim Irvine and Elizabeth Bouillet (the “Inspectors”). The Inspectors have provided ongoing direction and instructions to the Trustee in its administration of the estates. Seven meetings of the Inspectors have been held to date.
2. The Trustee filed its preliminary report to the creditors at the FMOC along with two additional Court reports in the bankruptcy of the Companies. The first report of the Trustee was dated September 24, 2014 (the “First Report”) and provided details on the R. Fox Claims (as defined in the First Report) and sought to have the R. Fox Claims treated in the same manner as the shareholders.
3. The second report of the Trustee was dated November 7, 2014 (the “Second Report”) and provided a general update on the bankruptcy proceedings and sought to have the Court’s approval of the Trustee’s actions to date, including the sale of the Calgary Property (as defined later in this report) *nunc pro tunc*, and the approval of the settlement terms of the Brooks Mortgage (as defined later in this report). The Trustee also prepared and filed a confidential supplement to the Second Report (the “Confidential Second Report”) to disclose confidential terms and amounts related to the settlement of the Brooks Mortgage. The Court issued an order on November 12, 2014 (the “Sale Approval Order”) that approved the Calgary Property sale *nunc pro tunc* and also approved the terms of the settlement of the Brooks Mortgage.
4. The Trustee also issued a report to the creditors of the Companies and the preferred shareholders of TMIC (the “Shareholders”) on July 29, 2015 (the “First Shareholder Update Report”) which provided an update on the bankruptcy proceedings.
5. The purpose of this report (this “Report” or the “Second Shareholder Update Report”) is to provide a further update to the Shareholders since the First Shareholder Update Report. As the known creditors of the Companies have all been paid in full, this Report will not be provided to them, but will be posted on the Trustee’s website located at www.insolvencies.deloitte.ca (the “Trustee’s Website”).

6. Information on the bankruptcy proceedings including the First Report, the Second Report, and the First Shareholder Update Report can be accessed on the Trustee's Website.

Notice to Reader

7. In preparing this Report, the Trustee has relied on unaudited financial information, the books and records of the Companies and discussions with interested parties and stakeholders. The Trustee has not performed an independent review or audit of the information obtained and does not express an opinion or any other form of assurance on the information presented herein. The Trustee may refine or alter its observations as further information is obtained or is brought to its attention after the date of this Report.
8. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Report. Any use that any party makes of this Report, or any reliance on or decisions to be made based on it is the responsibility of such party.
9. Terms not defined in this Report are defined in the First Report, the Second Report or the First Shareholder Update Report.
10. All amounts in this Report are in Canadian dollars unless otherwise indicated.

Asset Realizations

Owned Properties

Calgary Property

11. As outlined in the First Shareholder Update Report, the owned property located at 1213 – 1st Street SW, Calgary, Alberta (the “Calgary Property”) was sold with the approval of the Inspectors and the Court for \$2.45 million on October 1, 2014 and the vendor take-back mortgage was fully repaid on July 15, 2015, along with interest of \$45,000.

Bearspaw Property

12. As outlined in the First Shareholder Update Report, the owned property located at 261049 Glendale Road, Bearspaw, Alberta includes approximately 64 acres of land with an accompanying house (the “Bearspaw Property”). The Bearspaw Property was first listed by the Trustee with Royal LePage Foothills in December 2014, with the approval of the Inspectors, for an initial list price of \$2.8 million (plus GST), was subsequently reduced to \$2.5 million in March 2015 and the listing was allowed to expire on June 5, 2015.
13. After consultation with the Inspectors, the Trustee relisted the Bearspaw Property with a new realtor, Engel & Volkers Calgary (“Engel”), for \$2.5 million in July 2015. Engel actively marketed the property at the initial list price of \$2.5 million and, with the approval of the Inspectors and due to the declining market conditions and lack of interest, the list price was reduced to \$2.35 million on October 14, 2015 and then to \$2,195,000 on December 2, 2015. The listing with Engel for the Bearspaw Property expired on January 31, 2016 and the Inspectors decided not to relist the property with Engel.
14. A discussion was held with the Inspectors on how to best maximize the value of the Bearspaw Property based on discussions with various realtors and feedback from potential interested parties and it was decided that the 64 acres should be subdivided into two lots to make it more desirable and marketable. B&A Planning Group (“B&A”), a professional community and land development planning services company, was consulted with as part of the process and B&A recommended that the Bearspaw Property be subdivided into a parcel of approximately 10 acres which includes the house (the “House Parcel”) along with a parcel of 50 acres which includes the remaining undeveloped lands (the “Remaining Parcel”). With the approval of the Inspectors, the Trustee has proceeded to engage B&A to start a subdivision process for the Bearspaw Property which has been estimated by B&A to take six to eight months to complete.

15. With the approval of the Inspectors, the Bears paw Property has now been listed with Royal LePage Integrity (“RLI”) as two separate parcels, pending the subdivision. It was recommended by RLI, and agreed to by the Inspectors, to delay listing the House Parcel for a couple of months until certain renovations and repairs have been completed to the house and the House Parcel. This is expected to increase the appeal of the House Parcel and the ultimate sales proceeds. In the meantime, the Remaining Parcel has been listed with RLI for \$1,350,000.
16. The outstanding first mortgage of \$1.0 million on the Bears paw Property (the “Bears paw Mortgage”) came due on October 31, 2015 and, with the approval of the Inspectors, was repaid in full in order to reduce the ongoing interest costs of 6% per annum.
17. Since the Date of Bankruptcy, rent of \$3,000 per month, or \$60,000, has been collected by the Trustee from the tenants who have continued to rent the Bears paw Property.

Mortgages Receivable

Lake Newell 1st mortgage

18. As outlined in the First Shareholder Update Report, at the Date of Bankruptcy, TMIC held a first mortgage of approximately \$3.2 million (the “Brooks Mortgage”) that is secured by 26 serviced recreational sites near Lake Newell in Brooks, Alberta (the “Brooks Property”). The Trustee understands that the Brooks Mortgage has been in default since August 2012 and that BMG Financial Services Corp. (“BMG”) had been taking steps to realize on this investment through a foreclosure application process prior to the Date of Bankruptcy.
19. As previously reported, the Trustee and the borrower (the “Borrower”) agreed on terms to settle the Brooks Mortgage and these terms were approved by the Court in the Sale Approval Order. Following the Sale Approval Order, the Trustee continued to work with the Borrower to extend the deadlines to attempt to close on the mortgage settlement, but unfortunately the purchaser with whom the Borrower was working with was unable to fund the settlement.
20. The Trustee has continued to review the options with respect to realizing on the sale of the Brooks Property to date and has not been able to obtain the support of the Borrower to significantly reduce the current judicial listing price of \$4.1 million that was previously approved by the Court in the foreclosure proceedings. The Trustee received authorization from the Inspectors to waive any claim for a deficiency judgement against the Borrowers if the Trustee and its counsel were satisfied that the Borrower did not own any other assets, as proven in a statutory declaration with supporting financial statements, and the Borrower agreed to cooperate fully with the foreclosure proceedings and consent to a reduction in the judicial listing price. Subsequent to this authorization, further discussions were held with the Borrower and the Trustee is trying to come to terms on an alternate arrangement to try and recover on the Brooks Mortgage. The timing and amount of any settlement or recovery is currently unknown.

21. The Trustee was made aware by the Borrower and the County of Newell (the "County") that the Brooks Property was being put up for tax sale on November 4, 2015 in order for the County to collect on approximately \$211,000 in property tax arrears and penalties and interest owing from 2012 to 2015 (the "Property Tax Arrears"). The Borrower indicated that it did not have the funds available to pay the taxes and the Trustee held a discussion with the Inspectors on next steps. With the approval of the Inspectors, the Trustee paid the Property Tax Arrears to the County in order to try and preserve the value of the Brooks Property and to avoid a sale of the lots at low prices.

Calgary 2nd and 3rd mortgages

22. As outlined in the First Shareholder Update Report, TMIC held a second mortgage on a house and a third mortgage on secondary lands, both of which are located in Calgary (the "Calgary Mortgages") as security on a loan amount of approximately \$101,000 at the Date of Bankruptcy. The holder of the first mortgage foreclosed on and sold the properties secured by the Calgary Mortgages and no funds were available to TMIC and there are no other known avenues available to collect any funds from the borrower.

Venture syndicated 2nd mortgage

23. As outlined in the First Shareholder Update Report, TMIC held a 2nd mortgage of approximately \$322,000 (excluding accrued interest and fees) as at the Date of Bankruptcy as part of a syndicated construction loan totaling \$1,945,000 on a 12-unit commercial condominium warehouse project located near Calgary, Alberta (the "Venture Mortgage"). Following the sale of several of the condominiums in August 2014, the Trustee received approximately \$172,000 from the loan administrator as a partial repayment of this loan and an additional \$133,000 in May 2015. The Trustee has received two additional payments under the Venture Mortgage since then including approximately \$93,000 in December 2015 and approximately \$60,000 in January 2016. The Trustee understands from the administrator of the Venture Mortgage, Axxess Capital, that one unit remains to be sold and there is a small remaining balance of less than \$10,000 owing to TMIC under the Venture Mortgage. The timing and amount of the sale and final payment to TMIC is uncertain.

Saskatchewan syndicated 1st mortgage

24. As outlined in the First Shareholder Update Report, TMIC held a 1st mortgage of approximately \$67,000, as part of a syndicated loan totaling approximately \$4.3 million, on a resort / lake land development in Saskatchewan (the "Saskatchewan Mortgage"). The Trustee is continuing to review options for realizing on TMIC's position on the Saskatchewan Mortgage and understands that the administrator may be seeking funds to cover potential future legal action and/or foreclosure procedures in relation to the Saskatchewan Mortgage. The Trustee does not expect any recovery on the Saskatchewan Mortgage.
25. The Trustee is aware of two judgments that both TMIC and TEC have against individuals for repayment shortfalls on their previous mortgages with the Companies. The Trustee's counsel is pursuing these judgements, but potential realization amounts are unknown.

26. The Trustee is not aware of any remaining owned properties or mortgages receivable for the Companies.

Creditor and Shareholder Claims and Distributions

27. The Trustee has received unsecured creditor claims for both of the Companies as well as Shareholder claims for TMIC.
28. The Trustee has received and dealt with the following claims to date in the Estate of TMIC:
 - 28.1 Two claims for pre-bankruptcy legal fees totalling approximately \$44,500 which have been paid by the Trustee with the approval of the Inspectors, net of a 5% levy due to the Office of the Superintendent of Bankruptcy (the "Levy");
 - 28.2 Four unsecured creditor claims filed by Robert Fox et al (the "Fox Group") totalling approximately \$272,000 (the "Fox TMIC Claims") which were subject to litigation and have now been resolved and are now being treated in the same manner as the other claims of Shareholders (as outlined in more detail later in this Report);
 - 28.3 One claim filed by BMG for outstanding management fees for approximately \$30,000 that has been disallowed in full by the Trustee as no supporting backup was provided and the Trustee has calculated that management fees were overcharged for approximately the same amount during 2013 and 2014. The time period for appealing the disallowance has expired and the claim has been expunged; and
 - 28.4 Eighty-one equity claims from Shareholders totalling approximately \$9.4 million which are being held in abeyance until a distribution process is finalized (as outlined in more detail later in this Report).
29. The Trustee has received and dealt with the following claims to date in the Estate of TEC:
 - 29.1 Four unsecured creditor claims totalling approximately \$23,000 which have been paid by the Trustee with the approval of the Inspectors, net of the Levy; and
 - 29.2 Four claims filed by the Fox Group totalling approximately \$272,000 (the "Fox TEC Claims"). The Fox TEC Claims were disallowed by the Trustee and, as the time period for appealing the disallowance has expired, the claims have been expunged.
30. As outlined previously, the Bears paw Mortgage was repaid in full by the Trustee in October 2015 and the approved unsecured claims filed to date have been paid so there are no known remaining unsecured claims in the Estates.

31. The only remaining claims are those of the Shareholders of TMIC. With the Fox TMIC Claims resolved along with the threatened bankruptcy annulment applications by the Fox Group, the Trustee is in the process of applying to the Court to have a formal claims process (the "Claims Process") approved that should allow it to distribute any excess funds to the Shareholders. The timing of any distributions through the Claims Process will, in part, be determined by the timing of the realization of the remaining assets being the Bearspaw Property, the Brooks Mortgage and the Venture Mortgage (the "Remaining Assets"). An interim distribution may be done before the Remaining Assets are fully realized as the Trustee is currently holding \$489,000 of funds in the Estates (as outlined in more detail later in this Report).
32. The Trustee has prepared a preliminary estimate of the potential funds that could be distributed to the Shareholders, assuming the Claims Process is approved by the Court, and has estimated that the Shareholders may realize a return on their shares ranging from 15% to 30%. This estimate is subject to several assumptions about the values of the Remaining Assets, timing of the realizations and the costs to complete the sales and overall administration, and the final proven and approved value of the Shareholder claims. As a result, the estimates are subject to change and the actual results could be significantly different. The analysis is being kept confidential so as to not taint any future sale or realization processes for the Remaining Assets.

Ongoing Litigation

33. As outlined in the First Report, the Second Report and the First Shareholder Update Report, the Trustee has spent significant time and resources dealing with the default judgment obtained by the Fox Group as against TMIC in the amount of \$265,527 on May 26, 2014 (the “Default Judgement”), the garnishee summons and garnishment, the Trustee’s disallowance of the Fox TMIC Claims as unsecured claims as opposed to Shareholder claims, and other matters raised by the Fox Group.
34. The Trustee’s position was always that the Fox TMIC Claims should be treated no different than the claims of the other Shareholders and the claims were disallowed by the Trustee as creditor claims. The Fox Group successfully opposed the Trustee’s disallowance of the Fox TMIC Claims as creditor claims in Court. The Trustee, with the approval of the Inspectors and because settlement attempts were not successful, appealed the decision of the Court (the “Trustee’s Appeal”) through an application held at the Court of Appeal on October 13, 2015. The Trustee’s Appeal was successful and, as a result, the Fox TMIC Claims will be treated the same as the claims of other Shareholders. The Fox Group has also confirmed that they are not proceeding with an application to annul the bankruptcies and the \$225,000 of garnished funds previously recovered from the Court by the Trustee are now available to the Estate.

Other Matters

35. As reported previously, BMG filed complaints with the Institute of Chartered Accountants of Alberta (“ICAA”) against two of the former auditors of the Companies. The Trustee has been in discussions with the ICAA and understands that an independent investigation has been completed and that the ICAA has now dismissed the complaints in their entirety. The Trustee has discussed the complaints and the ICAA’s position with the Inspectors and has agreed that no further action will be taken.
36. As reported previously, the Trustee was also aware of complaints from certain Shareholders about the fees that have been paid by TMIC and/or TEC to BMG and other parties who had oversight and management of the investments made through TMIC and TEC. The Trustee’s counsel has filed a statement of claim in the amount of \$180,000 as against BMG and is currently waiting for BMG to respond. If any other formal actions are taken, these will be included in the next update report to the Shareholders.

Receipts and Disbursements and Funds on Hand

37. The Statements of Receipts and Disbursements (“SRDs”) for TMIC and TEC for the period from July 15, 2014 to March 10, 2016 are attached to this Report as Appendices 1 and 2, respectively.
38. Since the last SRDs dated July 21, 2015, that were included as appendices to the First Shareholder Update Report, the Trustee has received and disbursed the following more significant amounts:
 - 38.1 Received additional payments totalling approximately \$152,000 from the Venture Mortgage;
 - 38.2 Received an additional amount of \$24,000 in rent from the Bearspaw Property;
 - 38.3 Repaid the Bearspaw Mortgage for \$1.0 million and paid the related interest costs of \$30,000;
 - 38.4 Paid approximately \$211,000 for the property tax arrears for the Brooks Property in order to avoid a property tax sale by the County;
 - 38.5 Paid approximately \$68,000 in dividends, and the related Levy, to the known and proven unsecured creditors of TMIC and TEC;
 - 38.6 Paid approximately \$37,000 in Trustee’s fees for the period from May 1, 2015 to February 22, 2016; and
 - 38.7 Paid approximately \$20,000 in Trustee’s legal fees for the period from September 12, 2014 to October 23, 2014 (the payment of this invoice was previously missed) and approximately \$46,000 for the period from May 6, 2015 to December 8, 2015.
39. \$226,000 in garnished funds is now available to the Estate as a result of settling the Fox Group litigation.
40. As at March 10, 2016, the Trustee is currently holding in trust approximately \$400,000 in the TMIC Estate and \$89,000 in the TEC Estate.

Next Steps

41. As outlined in this Report, the next steps for Trustee are as follows:
- 41.1 Continue efforts to realize on the Remaining Assets;
 - 41.2 Set up a Claims Process so funds can be distributed to the Shareholders when available; and
 - 41.3 Provide a further update to the Shareholders on or around December 31, 2016.

DELOITTE RESTRUCTURING INC.,
In its capacity as Trustee in bankruptcy of Trimor
Mortgage Investment Corporation and Trimor
Equity Corporation and not in its personal
capacity.



Jeff Keeble, CA • CIRP, CBV
Senior Vice President

Appendix 1 –
Statement of Receipts and
Disbursements for Trimor Mortgage
Investment Corporation for the Period
from July 15, 2014 to March 10, 2016

Trimor Mortgage Investment Corporation - in Bankruptcy
Statement of Receipts & Disbursements
For the period July 15, 2014 to March 10, 2016

	Amount
Cash Receipts	
Recovery of TMIC funds paid into Court	\$ 226,022
Receipt of mortgage payouts	457,763
Cash in bank at date of Bankruptcy	336
Interest income on trust funds	514
Total cash receipts	684,635
 Cash Disbursements	
Trustee's fees to Feb. 22, 2016 - 50% to each estate	106,798
Trustee's legal fees and costs to Dec. 8, 2015 - 50% to each estate	104,597
Dividends paid to unsecured creditors, net of levy	42,224
Payment to secured creditor re: mortgage on Calgary 1st Street Property	18,631
GST paid on disbursements	10,422
Office of the Superintendent of Bankruptcy levy on dividends	2,222
Filing fees	150
Total cash disbursements	285,044
 Excess of Cash Receipts over Cash Disbursements	\$ 399,591

Appendix 2 –
Statement of Receipts and
Disbursements for Trimor Equity
Corporation for the Period from
July 15, 2014 to March 10, 2016

Trimor Equity Corporation - in Bankruptcy
Statement of Receipts & Disbursements
For the period July 15, 2014 to March 10, 2016

Cash Receipts	<u>Amount</u>
Net proceeds from sale of Calgary 1st Street Property	\$ 1,542,941
Cash in bank at date of Bankruptcy	6,606
Rental income re: Bearspaw property	60,000
Advance from Deloitte LLP	15,055
Interest income from vendor take-back mortgage on Calgary 1st Street Property	45,000
Recovery of legal fees on Calgary 1st Street Property mortgage extension	1,480
Interest income on trust funds	356
Total cash receipts	<u>1,671,438</u>
Cash Disbursements	
Property taxes on Lake Newell property	211,471
Trustee's fees to Feb. 22, 2016 - 50% to each estate	106,798
Trustee's legal fees and costs to Dec. 8, 2015 - 50% to each estate	104,597
Payment to secured creditor re: mortgage interest on Bearspaw property	90,055
Dividends paid to unsecured creditors, net of levy	21,903
Insurance	16,279
GST paid on disbursements	11,341
Property taxes on Bearspaw property	5,165
Real property report and survey and permit costs	4,144
Appraisal fees	3,562
Utilities	2,924
Repairs and maintenance on Bearspaw property	2,176
Office of the Superintendent of Bankruptcy levy on dividends	1,153
Mail redirection costs	231
Newspaper advertising	216
Change of locks	166
Fees paid to Official Receiver	150
Repayment of first mortgage on Bearspaw property	1,000,000
Total cash disbursements	<u>1,582,332</u>
Excess of Cash Receipts over Cash Disbursements	<u><u>\$ 89,105</u></u>